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July 19, 2001

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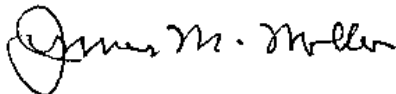
Thomas M. Dorman
Executive Director
Public Service Commission of KY
211 Sower Blvd., P.O. Box 615
Frankfort, KY 40602-0615

Re: The Joint Application of E.ON AG, Powergen plc, LG&E Energy Corp., Louisville Gas & Electric Company, and Kentucky Utilities Company for Approval of an Acquisition, PSC Case No. 2001-104

Dear Mr. Dorman:

Enclosed are an original and ten copies of the Brief of Big Rivers Electric Corporation. I certify that a copy of this letter and the attached brief have been served upon the persons shown on the attached service list.

Sincerely yours,



James M. Miller

JMM/ej
Enclosures

cc: David Spainhoward

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COMMONWEALTH OF KENTUCKY
BEFORE THE
PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

In the Matter of:

THE JOINT APPLICATION OF E.ON AG,)	
POWERGEN PLC, LG&E ENERGY CORP.,)	CASE NO.
LOUISVILLE GAS AND ELECTRIC COMPANY,)	2001-104
AND KENTUCKY UTILITIES COMPANY FOR)	
APPROVAL OF AN ACQUISITION)	

BRIEF OF
BIG RIVERS ELECTRIC CORPORATION

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Attorneys for
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CORPORATION

Dated: July 19, 2001

COMMONWEALTH OF KENTUCKY
BEFORE THE
PUBLIC SERVICE COMMISSION

In the Matter of:

THE JOINT APPLICATION OF E.ON AG,)	
POWERGEN PLC, LG&E ENERGY CORP.,)	CASE NO.
LOUISVILLE GAS AND ELECTRIC COMPANY,)	2001-104
AND KENTUCKY UTILITIES COMPANY FOR)	
APPROVAL OF AN ACQUISITION)	

BRIEF OF
BIG RIVERS ELECTRIC CORPORATION

Big Rivers Electric Corporation ("Big Rivers"), for its brief on the Joint Application of E.ON AG, Powergen plc, LG&E Energy Corp., Louisville Gas and Electric Company, and Kentucky Utilities Company for Approval of an Acquisition (the "Proposed Acquisition"), states:

INTRODUCTION

Big Rivers is not opposed to the Proposed Acquisition based on its assumption that:

1. The Kentucky Public Service Commission ("Commission") will require, and E.ON AG ("E.ON") will provide, written acceptance of all commitments and conditions imposed by the Commission in its Order of May 15, 2000, in In The Matter of: Joint Application of PowerGen Plc, LG&E Energy Corp., Louisville Gas & Electric Company and Kentucky Utilities Company for Approval of a Merger, Case No. 2000-095, including the commitments relating to Big Rivers, as identified and updated below.

2. The Commission's approval of the Proposed Acquisition will not diminish the commitments and conditions imposed by the Commission on Powergen plc, LG&E Energy Corp.,

BACKGROUND

In July 1998, Big Rivers entered into a transaction with subsidiaries or affiliates of LG&E Energy Corp. ("LEC") for a term of approximately 25 years. The principal features of the transaction are (i) a lease by Big Rivers to subsidiaries or affiliates of LEC (the "LG&E Entities") of its generating assets, and (ii) an agreement by Big Rivers to purchase, during the term of the lease, economically firm power from the LG&E Entities in a quantity that would substantially meet Big Rivers' obligations to its member distribution cooperatives under long-term wholesale power supply contracts (that entire set of agreements between Big Rivers and the LG&E Entities being collectively referred to as the "Big Rivers/LG&E Transaction").

The Big Rivers/LG&E Transaction was the cornerstone of Big Rivers' Chapter 11 bankruptcy plan of reorganization. As part of this reorganization and the Big Rivers LG&E Transaction, Big Rivers obtained parent company guarantees from LEC (the "LEC Guarantee"). LEC, the parent company, agreed, among other things, to perform the obligations of the LG&E Entities to Big Rivers under the Big Rivers/LG&E Transaction should the LG&E Entities fail to do so.

The Big Rivers/LG&E Transaction creates payment and performance obligations running between the LG&E Entities and Big Rivers with values of hundreds of millions of dollars. The payment and performance obligations of Big Rivers to the LG&E Entities are secured by mortgages on Big Rivers' assets and the agreement of Big Rivers' creditors to subordinate their liens to those mortgages, in some instances. The obligations of the LG&E Entities to Big Rivers, on the other hand, are supported only by the assets of the LG&E Entities (which are relatively insignificant) and

by the LEC Guarantee. Big Rivers, its members, and the 100,000 retail ratepayers of Big Rivers' member systems would be exposed to risk and potential harm if the Proposed Acquisition diminished the value or reliability of the LEC Guarantee. The LEC Guarantee is the sole source of financial strength behind the obligations of the LG&E Entities to Big Rivers and it was an integral part of the Big Rivers/LG&E Transaction, as approved by the Commission.

Big Rivers, to preserve the integrity of the LEC Guarantee in the Big Rivers/LG&E Transaction, sought, in Case No. 2000-095, for the Commission to (i) condition the approval of the merger application in that proceeding on Powergen's agreement to guarantee the performance of LEC under the LEC Guarantee, or (ii) to require LEC to maintain a minimum level of net worth. The Commission denied this relief but, finding that Big Rivers "raised a valid concern regarding security for [the] wholesale power contracts" under the Big Rivers/LG&E Transaction, ¹ imposed certain commitments and conditions designed to protect Big Rivers, its members, and the 100,000 retail ratepayers of Big Rivers' member systems. These conditions and commitments are identified in the following section of this brief.

DISCUSSION

The conditions and commitments in the Commission's May 15, 2000 Order in Case No. 2000-095 that address issues relating to Big Rivers are:

1. Appendix A, Operations and Financial, ¶ 8:

PowerGen, LG&E Energy, LG&E, and KU commit to obtaining Commission approval prior to the transfer of any LG&E or KU asset with an original book value in excess of \$10 million.

2. Appendix A, Other Commitments and Assurances, ¶ 5:

¹Order of May 15, 2000 in Case No. 2000-095, p. 29.

PowerGen and LG&E Energy commit that the acquisition of LG&E Energy shall have no effect or impact on various agreements associated with the resolution of Big Rivers Electric Corporation's bankruptcy proceeding. These agreements include, but are not limited to, the lease agreement and associated obligations between LG&E Energy's affiliates and Big Rivers Electric Corporation and the power purchase agreements between LG&E Energy Marketing, Kenergy Corp., Alcan Aluminum Corp., and Southwire Co. Any revisions to these agreements must be submitted for Commission approval prior to the effective date of the revision.

3. Appendix A, Other Commitments and Assurances, ¶ 6:

PowerGen and LG&E Energy commit that the acquisition of LG&E Energy shall have no effect upon the performance of LG&E Energy and its affiliates of their obligations under the Big Rivers Agreements. LG&E Energy and its affiliates shall continue to be bound by the terms of those agreements, including any guaranty agreements.

4. Appendix A, Other Commitments and Assurances, ¶ 18:

PowerGen, LG&E Energy, LG&E, and KU commit that LG&E Energy shall hold 100 percent of the common stock of LG&E and KU and that LG&E Energy shall not transfer any of that stock without prior Commission approval even if the transfer is pursuant to a corporate reorganization as defined in KRS 278.020(6)(b).

Powergen, LG&E Energy Corp., Louisville Gas & Electric Company, and Kentucky Utilities each provided written acceptance of all conditions and commitments imposed by the Commission, including those listed above, by separate letters collectively submitted to the Commission on May 17, 2000.

E.ON has stated, in this proceeding, that it consents to and accepts the conditions and commitments ordered by the Commission in Case No. 2000-095.² Further, E.ON and the other

² Joint Application of E.ON AG, Powergen plc, LG&E Energy Corp., Louisville Gas & Electric Company, and Kentucky Utility Company for Approval of an Acquisition, ¶ 19 and 24, Filed Testimony of Dr. Hans Michael Gaul, pps. 1, 21.

applicants have stated their consent to and acceptance of the commitments and conditions that relate to Big Rivers.³ Dr. Schipporeit, in his testimony on cross-examination by counsel for Alcan Aluminum Corporation on July 5, 2001, read into the record and accepted on behalf of E.ON the commitments contained in Appendix A of the Case No. 2000-095 Order, paragraphs five and six. Finally, E.ON and the applicants state that the Proposed Acquisition will not have any impact on the performance of the Big Rivers/LG&E Transaction.⁴

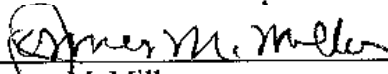
The only change Big Rivers requests in the commitments and assurances from the Case No. 2000-095 Order is that the name of Century Aluminum Company be added following Alcan Aluminum Corp. in numbered paragraph five of Appendix A. The Commission can take judicial notice from the Kenergy Corp. retail electric service contracts on file that Century Aluminum Company has acquired rights and interests of Southwire Company that justified listing Southwire Company in that paragraph.

WHEREFORE, Big Rivers, on the understanding that the Commission will direct E.ON to provide written acceptance of the conditions identified above, with the change requested, and that the other applicants' prior written acceptances of such conditions remain in force, states that it does not oppose the Proposed Acquisition.

³ Filed Testimony of Michael S. Beer, pps. 6 - 8. E.ON and the other applicants specifically reiterate consent to and acceptance of the conditions listed in Items 1-3 on pps. 4-5 above, but do not specifically reiterate acceptance of Item 4 on page 5 above. E.ON and the other applicants state, however, that they consent to and accept each commitment and condition previously ordered by the Commission.

⁴ Applicants' Response to PSC 1-12; Applicants' Response to BR 1-1; Filed Testimony of Michael S. Beer, pps. 6 - 8.

Respectfully submitted,



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Dated: July 19, 2001